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Chair

Mr. Gerry Ritz

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•(1110)

[English]

The Chair (Mr. Gerry Ritz (Battlefords—Lloydminster, CPC)): I'll call this meeting to order.

We have a bit of a problem this morning. The folks from the Ontario Apple Growers were caught in Hamilton. They were fogged in and may be a little late.

We do have a motion on the floor and we can work with that first. We're also circulating a card for Jean-François, our regular clerk, as his father passed away on the weekend. He's away attending to family business and a funeral. That's going to take precedence.

We'll stall for a bit of time by doing Mr. Bezan's motion and any other business before the committee, and as soon as the apple folks get here, we'll put them on. I thought we could perhaps switch hours with the tobacco folks, but they're not here yet either. Unfortunately, we're finding ourselves with a bit of dead air.

Let's start with the motion. Mr. Bezan, do you want to carry us forward on that?

Mr. James Bezan (Selkirk—Interlake, CPC): Certainly.

As a cattle producer and as somebody on whom the BSE crisis has had quite a heavy impact, and in consultation with some of my colleagues, I decided to come forward with a motion on the whole issue of TRQ.

As probably most of you realize, on Friday, the USDA put the rule in to the Office of Management and Budget in the United States. So the OMB is now looking at the rule and going through the process of bringing forward the opening of the border to cattle over 30 months of age.

The one concern I have, along with many people in the industry, is that traditionally we've always had a tariff rate quota with non-NAFTA countries. That has been followed very stringently since 2003, since the BSE crisis. What we're asking is that the TRQ be adhered to and that companies in Canada that make use of processing beef for their deli markets, or whatever, can access the majority of those products through the TRQs from offshore sources or from other NAFTA partners such as Mexico and the United States. So we're saying we respect that the TRQ remain the current practice in place, and we ask that if there is a need to increase it, the Minister of Foreign Affairs, who oversees the TRQs, essentially has to report back to the House with a reason why they need to have an increase in the TRQ.

The Chair: So you're moving that motion?

Mr. James Bezan: I'm moving that motion.

The Chair: So moved by Mr. Bezan.

We don't actually need a seconder, but thanks, Ken.

Mr. Steckle.

Mr. Paul Steckle (Huron—Bruce, Lib.): On the quantity, James, we're in kilograms here, and normally we deal in tonnes. I have no problem if that's the equivalence in numbers, and I anticipate likely it is.

Mr. James Bezan: It's around 76,000 tonnes, which is the regular TRQ.

Mr. Paul Steckle: Okay, that's the one you're talking about.

Mr. Ken Boshcoff (Thunder Bay—Rainy River, Lib.): I'm trying to do quick calculations off the page—76,409 tonnes.

The Chair: It didn't have to be accurate, but it was quick.

Mr. Easter.

Hon. Wayne Easter (Malpeque, Lib.): Is this limit, James, the same as the TRQ now, which has been negotiated?

Mr. James Bezan: The existing TRQ represents roughly 5% of domestic consumption.

Hon. Wayne Easter: What seems to be known out there in the industry is the tonnes, more so than the kilograms. My concern is that when this information gets out there, 76,409 tonnes versus 1.5 million kilograms, they'll think that we as a committee are asking for an increase. Think about it. I'd prefer to have it in tonnes so that it's the same language as the farm community is using. You know how things get confused.

Secondly, it doesn't really matter because it's in the "whereas", but it says, "the Minister of Foreign Affairs shall continue, after the normalization of trade with the United States in cattle over 30 months of age". Why do you add that "after the normalization of trade with the United States in cattle"? Why not do it now?

•(1115)

Mr. James Bezan: Because it's being adhered to now.

This is the policy as it sits today, that we're respecting the TRQ. No extra imports are allowed in, and they aren't giving out supplementals. That's the purpose of that. We don't want any more supplementals unless there's a real need demonstrated.

Mr. Paul Steckle: Mr. Chair, I would move a friendly amendment that we change the kilograms to tonnes, 76,000, or whatever that is—

The Chair: It's 74,600, isn't it?

Mr. James Bezan: It's 76,000.

The Chair: All right, we have a friendly amendment on the floor.

Mr. Bezan, you're open to that? Okay.

Mr. Bellavance.

[*Translation*]

Mr. André Bellavance (Richmond—Arthabaska, BQ): Actually, we have both figures in tonnes and in kilograms. It might be good to include both.

Paul asked that we replace kilograms by tonnes. So we could include both figures and put one in brackets.

[*English*]

The Chair: We could, sure. Yes, I understand that. That's why it's tonnes, not tons.

[*Translation*]

Mr. André Bellavance: Yes, we would have to have both, because Quebec has adopted the metric system.

A voice: One metric tonne.

[*English*]

Mr. James Bezan: It is metric tonnes.

The Chair: All right. We have a friendly amendment from Mr. Steckle to get it to the 76,000 tonnes that people understand. Mr. Bellavance would like to add "1.5 million kilograms" in parentheses after that.

Is everybody okay with that? Is there any more discussion on that particular point?

Mr. Miller.

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): The only thing is the 1.5 million kilograms...is that exactly the tonnes? Somebody might dispute that. Or does it matter? I have no problem with what they want here.

The Chair: Well, then, put "approximately 1.5 million kilograms".

I have Mr. Atamanenko and then Mr. Boshcoff.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): So James, this basically addresses the concerns of the Cattlemen's Association, which you're part of. I imagine the concern that—

Mr. James Bezan: Definitely. I consulted with CCA in moving ahead with this, and this does address those concerns. I strongly feel this is what we need in the industry.

Since the border closure, I don't see any hardship falling upon the meat processing sector. I just don't see that happening. We haven't been bringing in a bunch of cheap Uruguayan beef for the institutional trade.

There are one or two products out there that we don't produce in Canada, or in North America for that matter. But they will have to access some offshore markets. Hopefully they can get those in underneath the current permits of 76,000 tonnes. If they require supplementals and can't access that product here, then in those

situations the minister is free to put permits in place for those specialty products.

The Chair: Just for a point of clarification, you're simply targeting the WTO supplementals, not the NAFTA requirements that are roughly the same amount.

Mr. James Bezan: Right. The NAFTA is still there, and they can still access those products from NAFTA partners.

The Chair: Okay. There are two streams of outside beef coming in; you're simply addressing the supplementals.

Mr. James Bezan: Yes, the Uruguayan beef, the Argentinian—

The Chair: And the only push-back we'd expect would be from secondary processors.

Mr. James Bezan: Right.

The Chair: Okay.

Mr. Boshcoff.

Mr. Ken Boshcoff: Just to confirm where those numbers come from, it is the Canadian Cattlemen's Association. They are feeling that it is around 2%, which comes to the 76,409 that Larry was asking about. They're using the 1,500 tonnes.

The Chair: Good. Okay.

Are there any—

Mr. James Bezan: I think the math is wrong.

The Chair: Yes, the math isn't right.

Mr. James Bezan: Let's just call it 76,000.

The Chair: Okay, because the kilograms don't work out. You actually cut it. You were forgetting the .2. It's actually 10% higher than that.

Mr. Larry Miller: Yes, it's 1.68—one per cent higher.

The Chair: All right.

Gentlemen, the math doesn't quite work out to 1.5 million kilograms, because it's 2.2 pounds per kilogram, not 2. So we're just going to stick with the 76,405 tonnes. We can say metric tonnes, if we want to make sure it's metric. That's 76,405 metric tonnes. Is that okay?

Okay, so that will be the wording.

Is there any other discussion on this motion?

The question stands on the motion put before us, amended now to read "76,405 metric tonnes" in place of "1.5 million kilograms".

(Motion agreed to [See *Minutes of Proceedings*])

The Chair: Now you are asking for this to be reported to the House, James?

• (1120)

Mr. James Bezan: Yes.

The Chair: That's part of the motion?

All right, we'll leave that with the clerk.

Okay, that piece of business is done.

Is there anything else of a housekeeping nature, as we're waiting for our witnesses, gentlemen?

Mr. Miller.

Mr. Larry Miller: I have a small thing, Mr. Chairman.

I'd just like to have it on record, if it's appropriate—and I'll use your judgment—that there be a motion to send condolences to our clerk on the loss in his family.

The Chair: Did you sign the card?

Mr. Larry Miller: No, but I was going to suggest that the committee send a card.

The Chair: It just went around this morning. I guess you weren't at the table yet.

Mr. Larry Miller: Oh, no. Sorry.

The Chair: I know it went down this side and I've done it, so there it is.

Mr. Larry Miller: Okay.

The Chair: Thank you, Mr. Miller.

Are there any other points?

There's one other one that I had in mind. Our calendar shows us going to December 15. That leaves us one committee meeting on the 14th. Generally, historically, there hasn't been a meeting on that day before the day we leave.

I know Mr. Steckle, as chair, was always excellent at putting on a dinner or something for the committee. We all got together in a little yuletide cheer and so on. Would you gentlemen be amiable to putting a motion forward to do that in our meeting timeframe on the 14th?

Mr. Paul Steckle: I would be so inclined, Mr. Chair, to have us spend some time together in a rather different environment than the one we're in at this table, some social time.

The Chair: We'll book a room and we'll bring in real food—

Mr. Ken Boshcoff: The chairman usually pays for it.

The Chair: —and maybe a little cheer.

We have a budget for that type of thing. I think it's great. It always helps.

Is there any discussion on that? Everybody's okay with that?

Some hon. members: Agreed.

The Chair: We're not going to do a gift exchange or anything. How many lumps of coal can Mr. Easter—

An hon. member: [*Inaudible—Editor*].

The Chair: The problem is that there's a baggage requirement, a weight requirement, and Mr. Easter couldn't take all the coal home.

Some hon. members: Oh, oh!

The Chair: Mr. Easter.

Hon. Wayne Easter: We could get a Canadian Wheat Board hat.

The Chair: That's fine. Actually, I think he'd probably prefer the tie. I've seen Alex's, and I'd even like one of those.

Mr. Larry Miller: Maybe he can donate a couple of MFU ties.

Hon. Wayne Easter: I could do that too. You'd wear it.

Mr. Larry Miller: Of course I would.

The Chair: Are there any other points? Is there any other housekeeping? If not, I'll suspend while we wait for our witnesses to show up. It's not often that government is this efficient.

• _____ (Pause) _____

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• (1125)

The Chair: Getting back to order, we will proceed now with the hearing that we're going to have on the tobacco situation in Ontario. We also have some Quebec producers who will be with us shortly, I hope.

From the Ontario Tobacco Board, we have Fred Neukamm, who is the chair, and Richard Van Maele, who is the vice-chair.

From the Tobacco Farmers in Crisis we have Brian Edwards, president, and Mark Bannister, vice-chairman.

Welcome, gentlemen.

We have a ten-minute presentation timeframe for each of you, and then we will open the floor to questions.

Would you care to kick off, Brian, or Mark, if you're splitting the time?

• (1130)

Mr. Mark Bannister (Vice-Chair, Tobacco Farmers In Crisis): Good morning, and thank you for the opportunity to present on behalf of our farmers.

Tobacco Farmers in Crisis is a federally registered non-profit organization. We formed two years ago in recognition of the fact that our farmers were in trouble. Our board has been working on our behalf. We felt that we needed some more push, so we formed.

We are trapped within a commodity that is very lucrative for government and manufacturers, and we find ourselves, as tobacco producers, now unable to pay our bills.

Having said that, I will pass it over to Brian.

[*Translation*]

Mr. Brian Edwards (President, Tobacco Farmers In Crisis): Why are Canadian tobacco farmers in crisis?

Tobacco farmers are victims of conflicting government policies on tobacco and a gap in tobacco control policy has put them into debt and economic devastation. Since 2002, tobacco farmers and their families have been in a state of turmoil, brought on by dramatically declining crop sizes, costly mandatory infrastructure investments, rising contraband and an increase in cheaper imported tobacco.

Despite a still-existing and legal market, they find themselves unable to meet their obligations and are at great risk of losing their farms and their homes.

At an average age of 58, with average debt loads of \$400,000, the significant devaluation of tobacco farming assets, and little or no real employment opportunities elsewhere, many Canadian tobacco farmers risk losing everything they and their families have honestly invested in and worked for over four or five generations.

[English]

What factors have forced us as tobacco farmers into debt?

In 2002, the tobacco companies demanded that we do burner conversions to eliminate nitrosamines. This was mandated. We will not buy Canadian tobacco unless you do this. We as tobacco farmers invested over \$65 million into burner conversions.

We had to make a choice at that time: either we were in tobacco or we were going to leave because of the cost of those burner conversions. So we, as Tobacco Farmers in Crisis, have identified the year 2002 as the base year. With those burner conversions, tobacco advisory committee negotiations said that if you did not do this, the tobacco would be marked on the auction floors as separate, not available for the TAC agreements.

When we did this, we made the choice. Yes, we had a stable future, because in the 2002 agreement it was stated that we would have a stable future. In our handouts we've given examples of the TAC agreements in 2002, 2003, 2004, and 2005. We had three-year agreements with two-year out-years of stable crop sizes.

With that type of a future, farmers saw a stable future. We saw a future where we could plan for debts and payment of those debts. What we have now is 50% less production. We're in an impossible situation. We can't pay debts when we are only growing 20.4% of our quotas. This year at tobacco advisory committee negotiations the companies have said there are no further out years. We expect the situation to be changed.

Right now the tobacco companies are no longer supporting us as growers. We feel abandoned by our governments. We are here in the agriculture committee, yes. Unfortunately, the agriculture committee has been left with the train wreck that has happened to us.

We have the federal government tobacco control strategy that started five years ago, a ten-year plan. There was \$450 million invested in that program. Health Canada has identified tobacco to be denormalized, which means we're going to tax the product and we're going to try to discourage adult and youth smoking, and we support that as farmers. The health policy is right. If you consume tobacco, probably you will get sick. Tobacco policy for taxation is here to stay. It's not going to go away. There's all-party agreement that we will have taxation policy, a high-priced product to deter adult and youth smoking.

We have precedents that have been established in the world. Right next door, our neighbours, the U.S., have eliminated tobacco quotas. The price they have established is \$10 across the board. It's a split payment between the quota owner and those who grow the actual tobacco.

Just recently in Australia, another Commonwealth country, tobacco growers have been bought out, as we would describe it. There will no longer be tobacco grown in Australia. What we are asking for as tobacco growers and Tobacco Farmers in Crisis is a

program that allows tobacco farmers to leave this profession. It was a legal profession. It still is.

The governments of Canada collect \$9 billion in taxes. Tobacco companies themselves have over \$1 billion in profits. There is an underground economy that has been estimated at \$1 billion to \$1.5 billion by the tobacco companies themselves, with surveys, and actually with some of our friends in the convenience stores. They've collected data. The question was asked, "How did you come up with the numbers? What was your survey?" It was really simple: you walked the sidewalks, picked up the tobacco butts that were left, and that showed how much was not legal.

• (1135)

Our tobacco board has been asking for a buyout since 2000. Under former Minister Bob Speller, a tobacco adjustment assistance program was promised. Unfortunately, because of the election timing, it happened a year and a half later. This has caused problems in our business situations, because sales that could have taken place and should have taken place were backed up. Now after spending \$67 million federally in one year, the benefit that was the stated goal of that program is that we're at 20%, when after the program we were at 31%. This year alone, \$69 million will disappear out of the revenues for tobacco producers.

The tobacco companies are saying we have to change. There's too much infrastructure involved here. There are too many growers for the crop sizes we see in the future. Right now we're trapped; there's no escape. We're looking at one another between the eyes. You can't pay for a tobacco farm, the quota, and the infrastructure under these tremendously decreased crop sizes.

Our equity has been destroyed, and we're asking for help from our federal government to live up to the Framework Convention on Tobacco Control and its articles that say we as tobacco farmers should be provided a viable alternative to tobacco if we would like to leave. Right now there's no escape.

We on the tobacco board are asking for the same thing: an exit program for growers. We've done evaluations. In fact, Physicians for a Smoke-Free Canada did an evaluation in 2004. It was \$3 a pound for the quota to recover the investments that tobacco farmers have put into the industry. Tobacco Farmers In Crisis looked at the U.S. model and have done an evaluation based on that.

What's the cost of doing business? For a Canadian tobacco company selling product in the U.S., they're paying for the U.S. grower at \$10 a pound. How are they doing that? There's a levy collected on the product. It's delivered through the Department of Agriculture, where the consumers pays. We're asking for a program for tobacco growers now. It's needed immediately.

Thank you very much.

• (1140)

The Chair: Thank you, Mr. Edwards.

We'll move to Fred Neukamm for the Ontario Tobacco Board.

Mr. Fred Neukamm (Chair, Ontario Tobacco Board): Thank you, Mr. Chairman, and good morning.

First, I'd like to thank the committee for having us here this morning. My name is Fred Neukamm. I'm the chair of the Ontario Flue-Cured Tobacco Growers' Marketing Board. With me here this morning is Richard Van Maele, our vice-chairman.

What I'd like to do this morning, Mr. Chairman, is get the committee to understand four key things: first, who we are; second, to explain our situation to you, as it is bad and we need help; third, that government policies over a period of years have caused this to happen; and fourth, that we see a solution is available.

I realize you are very busy people, and I will try to be brief.

Our board represents all flue-cured tobacco farmers in the province of Ontario. This is about 1,000 farm families. Since 1957 we have been a provincially mandated marketing board that looks after the production, marketing, and advocacy on behalf of our farmers. We are a duly elected board of 11 farmers. Both Richard and I and the rest of the directors of our board are farmers from across southwestern Ontario, stretching from Brant County across to the Chatham area.

We also oversee a strict regulatory framework for tobacco production that ensures that all tobacco is legally sold in the province through our auction exchange.

That is who we are.

The situation, as Brian has very clearly pointed out, is that we are trapped. Our farmers have invested their life's work in tobacco-specific equipment and assets, their farms, and are carrying significant debt associated with those assets. In many cases, we are second- and third-generation tobacco farmers, and now we have no way out.

We know the Government of Canada, as a signatory to the World Health Organization's Framework Convention on Tobacco Control and through its own aggressive policies, is committed to stopping tobacco use in Canada. One of the consequences of this commitment has been the demise of tobacco farming in Canada. Since 1998 our crop size has reduced from over 150 million pounds down to 55 million pounds in 2006. What that really equates to is the loss of over \$200 million of farm gate value each and every year.

We see our request as a logical extension of those government policies. The stated goal of those policies has been to aggressively reduce the use of tobacco products, and those policies have worked. That is why we find ourselves in this terrible situation. We believe it should also be government policy to help farmers make the adjustment out of tobacco production.

We believe now is the time to take the obvious next step and put a plan in place that will eradicate tobacco production in Canada at some point in time. We want to solve this problem once and for all. Last spring we put forward a plan to the government that we believe will accomplish this over a defined period of time. The proposal we put forward is based on a set of principles, those being universal access for all flue-cured tobacco farmers and a fair level of assistance that helps them out of this business, while compensating them for the loss of their livelihood.

We also strongly believe that the communities that have heavily relied on tobacco production for their economy also need a

significant amount of help to adjust to a new economic base. Investments need to be made that help both the agricultural and non-agricultural sectors to succeed in this transition.

We have received support from members of Parliament from all sides on our proposals and our ideas, and we have been working closely with government at all levels on this issue. We appreciate the level of serious consideration that our proposal has received. However, time is running out. Last year alone, our production was reduced from 85 million pounds to 55 million pounds. That's a 35% drop in production in one year. We lost over \$60 million in our local economy just from one year to the next.

•(1145)

Our farmers have never been in a more precarious financial position. Many cannot hold out much longer, and the anxiety in our community is running at a fever pitch. It is now time to look at the issue of tobacco production in an up-front and mature way and to put a plan in place to deal with it from now until the time that flue-cured tobacco production is no longer used in Canada. We are asking government to fix this issue once and for all.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Neukamm.

We'll open the floor to questions now. We'll start with seven-minute rounds. We may have to compress them.

Mr. St. Amand.

Mr. Lloyd St. Amand (Brant, Lib.): Thank you very much, Mr. Chair.

Thank you, Brian and Fred, for your very cogent and persuasive presentations this morning.

I'll maybe just ask for a yes or no answer, but it's my understanding that the average age of tobacco producers is about 58. Is that correct?

Mr. Fred Neukamm: I believe so, yes.

Mr. Lloyd St. Amand: And the average debt load is in the area of \$400,000?

Mr. Fred Neukamm: That's also correct.

Mr. Lloyd St. Amand: I have a few questions.

Number one, I'd like either one of you to describe for the members of the committee the impact of this on communities who have relied for decades on the production of tobacco. I'm talking about communities such as Delhi, Tillsonburg, Aylmer. Can you describe in a couple of minutes what the impact has been on those communities, and of course on the citizens of those communities?

Mr. Fred Neukamm: Yes, Lloyd, I'd be happy to answer that question, and I'll also ask Richard to help with the answer.

As an example, the community of Delhi, which prided itself on being the heart of tobacco country, was once a thriving small community. The downtown core of Delhi is mostly boarded up now. That community relied almost completely on the spin-off economy, the dollars spent by tobacco-growing families in that community. The car dealership is closed up. Many of the stores and restaurants on the main street have closed up. And there's nothing there to replace that economy.

Richard, do you want to add to that?

Mr. Richard Van Maele (Vice Chair, Ontario Tobacco Board): Also, if you take a look at a community like Tillsonburg, which you would think would be a relatively thriving community, as it has a little more diverse economic base, the local retailers up and down the street, whom I know personally, are complaining about the fact that there is no traffic, that no business is coming into their stores any more.

The people who used to support our businesses were our tobacco farmers. The farmers came to town and spent their hard-earned dollars within the community of that town. I know of specific individuals who used to do more business 10 years ago in the month of December, when the tobacco industry was strong, than they do in a 12-month period today. If you go up and down the streets of Tillsonburg today, you'll see closed doors. Tillsonburg was one of those communities that always had a thriving downtown core; it was a model town for a lot of the small rural areas.

The local communities have based their economies around tobacco and the farmers have supported those communities. The unfortunate part now is that the farmer doesn't have the ability to support the community. The farmer is now in what you'd call survival mode, doing whatever he can to survive to the best of his ability. Unfortunately, it's the local community that's paying the ultimate price, whether stores or charitable organizations, even. You just don't have the dollars to put forward to help benefit your local people.

Mr. Lloyd St. Amand: Thanks, Fred and Richard. I think we've got a flavour of it, for sure.

If I could ask, why is it such a critical time now, as the year-end approaches, for something to be done, compared with next May or next June? Can you comment on that perhaps, Brian?

• (1150)

Mr. Brian Edwards: Right now there has been a moratorium placed on tobacco quota sales by our board. It's been put in place to protect those who are most vulnerable, and it's been in effect since May. There's no out-year to plan for with our tobacco companies. We're in a situation now where there's got to be time for whatever the decision is—and we need to know that decision soon for planning purposes. Growers need to know: if there is an exit, should I take the exit now? The actual customer, our tobacco companies, have to have time to put forward what they see for our future, whether it's direct contracting or some other method of growing tobacco. They also have to have that time. We need the time for the producers to make an informed decision.

Mr. Lloyd St. Amand: Thanks, Brian.

Perhaps, lastly—Mr. Chair, if there's still time—I think you've made a compelling case that something needs to be done. I get a sense that the political will is there, and that something needs to be done much sooner than later. That being said, you also made reference to buyout models in both the United States and Australia. What do you see as the preferred model or the preferred strategy, in terms of a buyout for Ontario producers?

Mr. Fred Neukamm: Lloyd, we have submitted an initial proposal to the government. There are some key principles within that proposal. We are talking about a total exit over a defined period of time; the timeframe, really, is to be determined through consultation among the growers, governments, and the manufacturers. At some point, we believe, tobacco production will come to an end, be that in two years, five years.... As growers, we don't have that specific answer, but we believe it will come to an end. We believe that all of our growers, from now until that end date, should have access to a program at a fair level of compensation. We believe that many of our growers, perhaps anywhere from one-half to two-thirds, should be in a position to access a program right now, prior to any planning for 2007. We know that the manufacturers do require a small amount of tobacco in the short term. They will not support the thousand families we still have. Many need to leave right now, with the remainder to leave over the course of perhaps the next three to five years.

The Chair: Mr. Bellavance, go ahead for seven minutes, please.

[*Translation*]

Mr. André Bellavance: Thank you.

Thank you very much for your presentations. As you know, I have had an opportunity to study this matter quite closely when I worked for the member for Joliette, Mr. Pierre Paquette. In the Lanaudière region, there are many producers of flue-cured tobacco. Of course, I made many representations to the government, which was a Liberal government at the time.

[*English*]

The Chair: If I could interrupt, we have our gentlemen from Quebec with us now. Do you want their presentations before you ask your question?

[*Translation*]

Mr. André Bellavance: I would appreciate that, yes.

[*English*]

The Chair: Gentlemen, we've thrown you a bit of a curve this morning. We had an hour slated first for apple producers in Ontario. They're socked in, in Hamilton, and not able to get here. We've actually switched our meetings around. We're happy that you're here. The other folks have just done their presentations, and we're just starting into the question round. If you want to open with a ten-minute presentation, then we'll continue on with questions if that works okay for you. We're throwing you right into the firing line right off the bat.

Okay. From Quebec, joining us today, from the Quebec producers of tobacco, we have Luc Hervieux, vice-president, and Christian Boisjoly, director.

Welcome, gentlemen.

• (1155)

Mr. Christian Boisjoly (Director, Office des producteurs de tabac jaune du Québec): Okay. The presentation will be in French, if there's no problem.

The Chair: That's fine.

[Translation]

Mr. Christian Boisjoly: Good morning, and thank you for giving us an opportunity to present the views of the tobacco farmers of Quebec. We are all from the Office des producteurs de tabac jaune du Québec. My name is Christian Boisjoly, and I am the Regional Director of the Lanaoie District and Linguistic Advisor, and with me is Nicolas Asselin, the Secretary Treasurer, who should be here shortly, and Luc Hervieux, the Vice-President.

We would like to give you a little background on the crisis in the tobacco industry. This crop which supported three generations of farmers in the Lanaudière, la Mauricie and even Outaouais regions and allowed them to amass wealth for themselves, their families and their regions, suffered a dramatic blow in March 2003 when one of the major companies, RBH, in other words, Rothmans, Benson & Hedges, suddenly decided to stop buying its tobacco in Quebec. A shock wave hit all tobacco farmers, because two years earlier, RBH, as well as Imperial Tobacco and JTI-MacDonald, had all required the complete conversion of tobacco-drying units. There were 725 units in Quebec and this was extremely expensive for tobacco farmers, but did suggest there was a long-term market for the product. Despite requests for contacts, representations and discussions, RBH's cavalier attitude did not change. The other major companies told us over the following months about their offers and their plans for the future—namely, a huge reduction in 2003 and small, final purchases in 2004. This more or less spelled the end of over half a century of tobacco production in Quebec.

In response to this crisis, our office quickly began contacting the media, elected people, municipal, provincial and federal officials, in an effort to try to find short, medium and long-term solutions. At the regional level, people were stunned, because the contribution made by tobacco to the economy was significant in terms of direct and indirect jobs, and in terms of redistributing the region's wealth. We need think only of the number of suppliers involved in growing tobacco—suppliers of fertilizer, farm equipment, fuel, insurance, and so on. So a support system was developed, and the response of the provincial government and its officials was quite quick, even though it was somewhat bureaucratic—with a lot of forms to fill out of all types—and rather incomplete. I would invite committee members to consult the information we appended and sent to the committee last week.

At the federal level, a number of round tables were held beginning in December 2003 at which our office, the OPTJQ, through our president, Gaétan Beaulieu, was invited to discuss the problems of tobacco farming in Canada. Because while Quebec was shown the door, Ontario saw its production decreasing gradually. As a result of these discussions, the TAAP, Tobacco Adjustment Assistance Program, was introduced. The announcement was made on May 4, 2004. The general idea was to offer a lump sum of \$67 million dollars, first to Ontario farmers who wanted to get out of tobacco. The federal government purchased their quotas at a reverse auction

in the spring of 2005. The objective of the program was chiefly to rationalize the supply for Ontario farmers.

There were two major problems for Quebec farmers. The first was that we had no say, in other words, we were the victims of an undemocratic, unfair decision. The second was that in our case, there was no talk of rationalizing tobacco production, but rather stopping it altogether. The representative of the previous government said that the TAAP was a step toward a more comprehensive, long-term program, and the final figures set at the reverse auction, \$1.05 per pound of quota, would also be paid to Quebec farmers in a fair and equitable manner.

• (1200)

Mr. Beaulieu, after trying to explain the difference between the Ontario and Quebec quota systems—and here we must look at Appendix 1 where we discuss the 1.6 balancing factor—accepted the money from the federal government, on behalf of the OPTJQ, but said clearly that it was not enough. He based his statement on a study done by AGÉCO, an independent firm that published a report in 2004 that was funded by the federal government. The purpose of the study was to evaluate tobacco farms in Quebec. The people who did the study went to visit all tobacco farmers and they had to provide all the information required for the study.

And then the government changed. Representatives from the OPTJQ were once again invited on June 6 to meet with Ms. Christine Bakke and Mr. Donald Boucher at the Agriculture Canada Building. Once again they had to put forward their demands which, I should mention, were strangely similar to those put forward by Ontario. However, the figures have to be converted to correspond to the Quebec situation: I'm referring to the famous 1.6. They also explained once again the problem with new additions, particularly the difficulty of converting in terms of financing, market and young farmers. The reaction to this meeting by Minister Chuck Strahl was to send us a letter on September 26, 2006 inviting us to take part in a round table on the tobacco industry at a future date.

So here we are today representing all Quebec farmers to tell you that after three years of uncertainty, stress, and many attempts with replacement crops, sometimes productive but rather fragile, and often not encouraging, particularly because of saturated or controlled markets, the situation facing most former farmers is difficult, and in some cases quite precarious. Only 25% of them have decided which new crop they will turn to.

In conclusion, we see that the losses caused by the closing down of the markets in Quebec jeopardize the economic situation of these farms and limit their capacity to diversify into other markets requiring significant investments and a number of new skills. And if the figures in Appendix 2, which do not include the \$1.82 a pound in quota, were to be in the hands of our proud, hard-working farmers in Quebec, we would at least have some justice, even some hope.

We would like to remind the committee members that we congratulate the OFCTGMB, the Ontario office, on its efforts to find solutions to the Canadian tobacco crisis, as well as the TFIC, which most Quebec farmers belong to as well, for the solutions it has put forward as regards a Canada-wide solution that respects Quebec.

We would like to thank you, and we are now prepared to answer your questions.

[English]

The Chair: Thank you, gentlemen.

We're back to Mr. Bellavance for seven minutes, please.

[Translation]

Mr. André Bellavance: Thank you, Mr. Chairman, and thank you for allowing the witnesses to make their presentations.

I would like to thank you very much for coming today. As I said when you arrived earlier, I had an opportunity to work with Mr. Beaulieu quite a bit when I was working for the member for Joliette, Mr. Pierre Paquette. In Lanaudière—and you are probably from that region—there were many producers of flue-cured tobacco; almost all the farmers growing this crop in Quebec were in that region. So the former government received a number of representations. A program was announced; you spoke about it earlier. We should know how much of the \$67 million that was announced went to Quebec. You should also explain the difference in the quotas for us. You say that there is a difference between the system in Ontario and the one in Quebec. You speak about the 1.6 factor. I would like to understand exactly what the difference is and why the June 2005 agreement is not satisfactory for Quebec producers.

Mr. Luc Hervieux (Vice-President, Office des producteurs de tabac jaune du Québec): For a Quebec tobacco farmer, it took a basic quota of 152,000 pounds to produce 100,000 pounds, while in Ontario, a basic quota of 234,000 pounds was required to produce the same amount. That is the difference between the two systems. In our opinion, the quota is much higher in Ontario than in Quebec. In terms of payment, this represents a difference of 80 %. That is why, when we are paid by quota, if we get \$1 in Quebec, the Quebec farmer gets \$152,000, whereas the same number of pounds of quota in Ontario would produce \$234,000 for each farm. That is the difference between the two that we have been trying to explain, and that is the reason for the 1.6 factor.

•(1205)

Mr. Christian Boisjoly: We are talking about significant amounts of money, of course, and the way in which these quotas are actually managed creates quite a different image. The situation was that traditionally, in Quebec, people were still producing 60 % of their basic quotas, roughly, particularly toward the end. In Ontario, people had been at 40 % for quite some time. However, the money we are seeking still refers to the basic quotas, and that is where there is a serious difference between the two figures.

You also asked us to explain the most significant difference between the quotas in Ontario and those in Quebec. We come back once again to the Tobacco Adjustment Assistance Program, the TAAP, which was designed to rationalize the supply, although it was over for Quebec, it was final. There was no program to deal with the situation in Quebec, which is no longer in the market at all. In Ontario, the program was for those who were still in the market, to help them survive for quite a while. The idea is that the industry would be rationalized, that those with quotas would be able to continue to survive, and those who wanted to would be helped to get out of tobacco, so as to remove their supply from the market. In

Quebec, there was simply no supply. So it was an assistance program, but certainly not the assistance people were expecting.

Furthermore, as we can see today, because the representatives from Ontario, I think — and I did not listen to the preceding presentations, but there is good communication between our two groups — also have quite a comprehensive program to encourage people to get out of tobacco, but about two or three years after we went through this situation.

So they are experiencing a shortfall as well. I think the Ontario office talks about a figure of \$3.30 for people who want to get out of tobacco. So that is the proof that the figure of \$1.05 that we got is really not enough. That's why we want some adjustments made. Moreover, we use their figures to defend our position, without forgetting the conversion factor, because the situation in Quebec is very different, particularly as regards quotas.

Mr. André Bellavance: Despite what you received earlier under the agreement, and since you are supporting the Ontario producers, if there were a new agreement with the government, you would like an adjustment, so that you can get your fair share of such a program. Is that not correct?

Mr. Christian Boisjoly: Exactly, we want our fair share.

Mr. André Bellavance: Did you say that 65 % of flue-cured tobacco farmers in Quebec are no longer growing tobacco?

Mr. Christian Boisjoly: At the moment, this involves almost all of them. There are only three still in production, and they have cut back a great deal. So we could say that 92% of people are no longer growing tobacco. They are growing different crops, as I said, and the economic situation is very fragile, because of the significant investments involved. If farmers grow different crops that have some potential, we need more than just a little cart. Big equipment is required—refrigerators and other such things.

As a result of the agreement, we were able to pay off our existing debt, it helped us a great deal. However, there is no doubt that people lack the capital required to get into new markets. Of course, you know that it is no easy matter to deal with financing issues.

Mr. André Bellavance: Have most flue-cured tobacco producers switched to other crops?

Mr. Christian Boisjoly: About 25% of them have.

Mr. André Bellavance: What are the others doing?

Mr. Christian Boisjoly: They are still doing research and conducting tests. There are a number of examples I could mention. In my own case, I tried to grow beans, among other things. The first year, the yield was very good. It was interesting and great, except that when it came time to deliver our product, the purchaser was insolvent. I had to hire a lawyer to defend myself, and, fortunately, to recover my property.

But let us take a look at the case of Nicolas, who is not here today. He is a member of our group; he is the secretary-treasurer. Even if small amounts were involved, he had to deal with a situation where he had nothing at all, and finally the authorities had to get involved. I managed, but he did not.

Sometimes people who go into market gardening—fruits and vegetables—go into bankruptcy. Some producers had invested as much as \$75,000 and were waiting for money to start coming in, but it never did. Of course, the following year, they try to grow a different fruit or vegetable or something else. It is not that easy to find markets. People still have some energy to carry on, but these attempts to develop markets have used up a lot of the money people had. And now we are facing the new problem of young farmers. When children who become old enough to take over the family farm see their parents gradually using up all their savings, they are not necessarily encouraged to go into farming themselves. However, if people could get some new funding that would allow them to grow a crop for which there is a market, then there would be some hope.

That is pretty much what we are facing, and I imagine it is similar to many people in Ontario.

• (1210)

[English]

The Chair: André, your time has expired.

Mr. Bezan, seven minutes, please.

Mr. James Bezan: Thank you, Mr. Chair.

I want to thank everybody who has taken time out of their busy schedules for today's situation to make their presentations.

I know that Mr. Finlay has been advocating at cabinet and to the Prime Minister and caucus for a buyout for the industry. As a caucus member and a fellow farmer who knows what a crisis is, who's gone through BSE, I don't fully understand all the implications. I know you guys have a huge capital investment in your operations, there's a regulatory situation, and I understand there's competition coming in from other sources as well that is impacting upon you.

Try to paint the picture for me a little bit. When you're talking about transition, what are alternative crops? I'm hoping you guys aren't going to just walk away from your farms and see all this land go idle. I hope there are alternatives out there. What alternatives are there? What's going to happen in your communities as you move forward?

Exactly what is it that you're asking us to take forward to the government? What is the exact buyout and transition program that you're talking about?

The Chair: Fred.

Mr. Fred Neukamm: That's a bit of a multi-part question. As far as what farmers are going to do next is concerned, we're in a very unique part of the country. It's called the Norfolk Sand Plain. Many of you will know that prior to tobacco production coming into that area, that area was a dust bowl. It is a bit of a fragile ecology, very sandy soils. We don't believe that there is one singular solution for that area. We believe that more effort needs to be put into the areas of research and marketing development. I think there are many solutions that would have to be spread out over that area.

We, as a group, do not want to be in a position to be forced to compete with existing commodities like tender fruit and vegetables. Many of our farmers are actually being forced to do that already, trying to subsidize their farming business. We have debt associated with the shortfall in tobacco production. Many are trying some

alternative crops. We believe that through a major injection of capital we are less likely to cannibalize these other sectors.

Some of our farmers—

Mr. James Bezan: How many acres are we talking about here, the land base in Quebec and Ontario?

Mr. Fred Neukamm: I can't speak for Quebec. The Norfolk Sand Plain is over 100,000 acres of that type of land.

Mr. James Bezan: And it's currently in tobacco production?

Mr. Fred Neukamm: No. A number of years ago our acreage would have been 50,000 acres. We are always in a rotation. We're not perpetually double-cropping tobacco. This year's production represents approximately 25,000 acres, so many of those acres have already either gone into cover cropping or other crops.

There has been a great deal of research already into these alternative cropping areas. There have been departments within the provincial government that have been working on this for 25 years. Some of our farmers will stay in farming after an exit program into some other area of farming. Some, we expect, will just do well to pay off their debt and leave farming completely—go through retraining, start a business, get an off-farm job.

We also believe that some of the most fragile and sensitive lands ought to be retired from farming through reforestation.

We hope that some of the current innovative ideas, such as biomass production for ethanol feed stocks, may become viable.

I think there is a multitude of potential solutions. I don't see one singular quick fix.

I'm sorry, I forget the second part of your question.

Mr. James Bezan: Well, just this whole idea of transition and what exactly the program is. How much money are we talking about here? You said there are 1,000 farmers who belong to the marketing board right now.

How many farmers are in Quebec?

• (1215)

Mr. Christian Boisjoly: There are 58.

Mr. James Bezan: And how many farmers do Tobacco Farmers in Crisis represent?

Mr. Brian Edwards: We represent about 500 farm families. We represent P.E.I., Quebec, and Ontario producers who voluntarily joined.

You addressed the size of the farms. We have farms from 50 acres to 150 acres, on average. It's not like out west, where you're growing sections. It's very hard to pay your bills on 50 to 150 acres. If you're looking at going into an alternative crop, and you have the existing debt that we have in our specialized equipment.... It's strictly for tobacco. You can't use it for any other crop; it's highly specialized. Where will you get the seed money to look at getting out of tobacco after you've paid your debts and the taxes that will be due? It's a very difficult decision for families.

Mr. James Bezan: When we are talking about doing away completely with the tobacco industry in Canada, there are still going to be people smoking, so where is that tobacco going to come from if we're not growing it here at home?

Mr. Brian Edwards: That's exactly our problem. It's happening right now. There is no requirement right now for a Canadian content, a percentage in the cigarette. Under the tobacco advisory committee, for a number of years there was a working relationship between the companies and the farmers and the government. Now that doesn't work.

We have an underground economy that has stolen market shares from the legal producers, and these companies are reacting to this. If we're not going to get contraband back under control, these companies are going to leave Canada and they're going to leave us, as farmers, abandoned.

Mr. Mark Bannister: May I address it back to the alternatives, very briefly?

The Chair: Thirty seconds, Mr. Bannister.

Mr. Mark Bannister: I'm 48 years old, and through my 26 years of farming, I have grown six alternative crops. All six have failed and failed miserably. It is very trying, and these are costly failures. I would suggest that a new agriculture venture would cost any one of us here a minimum of a quarter of a million dollars—money we don't have.

My land has been in my family for 250 years, and I want to keep that land. I'm not going to leave it willingly. I have a lot of debt. I hope there's a future for my son or my grandson, but it's going to take some new federal ag policy, period. At my age, I'm too old to start again. I've learned my lesson in agriculture. It's been 26 tough years, and I'm not going down that road again.

If I can see commitment from this federal government to turn this around with some support for the Canadian farm family, yes, I'll turn my son and my grandson loose, but not before. It's too costly. It's too hurtful. That's it, in a nutshell.

The Chair: Thank you, Mr. Bezan.

Mr. Atamanenko, seven minutes, please.

Mr. Alex Atamanenko: I'll pick up where Mark left off, I guess, in regard to the comments that were made earlier.

I hope we're not seeing a blueprint for all of our small farming communities here. If we continue in this direction, it seems to me what we're seeing here we will see all over rural Canada. Obviously, we have to do something.

That's simply a comment I couldn't help thinking about.

The other thing is, and James touched upon this, obviously people are still smoking. Rothmans and those companies aren't shutting down production. The fact that they've stopped buying from producers in Quebec doesn't mean they've gone out of the smoking business.

I was talking to a duty-free person in my riding and he was telling me that if the companies leave Canada, he will have to buy from Mexico and it would cost him more.

Are we seeing a shift out of Canada from the major tobacco companies? That's the first question. The second one is, what's the reason for this? Is it this underground economy that's going unchecked, or is it the pressure from...? Let's stop there for now.

Mr. Fred Neukamm: Mr. Chair, if I may, it's an excellent question.

In our opinion, it started with government policy to reduce smoking and high taxation on the product. That has caused this major underground economy in cigarettes, most of which come in from other jurisdictions, the U.S., the Far East.

The major manufacturers, in their attempts to protect their own profitability and their market share, have decided to go into discounted brands of cigarettes. In doing so, they've increased significantly the amount of imported tobacco they use in those products.

It's not that many years ago that legal domestic cigarettes in Canada were approximately 90% Canadian content. There was only a very small component of import, certain grades or styles that they could not access either from Ontario or Quebec. But in their attempts to protect this profitability, they've increased their imports dramatically, whereby the content of legal Canadian cigarettes is probably at 50% or 60%. This has rapidly decreased our crop size, and that's why we're in this situation.

As long as it is profitable for them to do so, they will continue to sell cigarettes in Canada. The largest company is Imperial Tobacco Canada Limited, which is a subsidiary of British American Tobacco. It has decided to close down all its bricks and mortar in this country. All of its manufacturing is being moved to Mexico. It intends to continue selling those cigarettes in Canada, but the manufacturing in Montreal, Guelph, and in my community of Aylmer is all being shut down and moved to Mexico. We expect the other major manufacturers have these sorts of contingency plans in their back pockets as well.

• (1220)

The Chair: Anyone else?

Go ahead, Brian.

Mr. Brian Edwards: In our tobacco advisory committee negotiations we had a two-price system. Domestic tobacco for consumption in Canada was higher priced, and we had an export price for shipping tobacco to other countries.

Tobacco health policy has been a high-priced product for the Canadian consumer. In my community, 20 miles from where I live, there is a carton of cigarettes available in a clear plastic bag for \$7, and it's up and down the roads on native reserves. How do we help our manufacturers and ourselves, as growers, when this is happening? Clearly the taxation policy is not getting all of that tobacco. And after 9/11, nobody can tell me that it can't be tracked if it's coming across our border. Clearly we have to change that point of taxation to cover this.

Native producers have legitimate treaty rights, and I recognize them and we support them. But can we identify other things to get tobacco back in control?

There are three components in a cigarette: you have the paper, you have the filter, and you have the actual tobacco. It's pretty simple. Let's get it all covered so we actually know what is being produced and what's being consumed.

Right now, \$1.5 billion that's not being collected is a huge problem for us as growers, because the manufacturers are identifying that if they're going to be allowed to do it, then we have to compete in a price war.

The Chair: Alex, you have time for one more point.

Mr. Alex Atamanenko: Recently I wrote a letter, after talking with you folks. Everybody knows that the crisis is here, and it's not something that started this year. The only answer I have so far is that on September 26 there was a letter from the minister saying that there is going to be a round table. Is that as far as we've gone? Is that the only answer we've had from our authorities, from the government to date?

It seems to me that all this information is here. Has there been no other decision or a meeting with you folks or all the producers to work out a timeline, to work out a plan to work on an exit strategy?

Australia has done it. Am I right in assuming that after all of this, we're just talking, and we're looking to talk some more at a round table?

Monsieur.

[*Translation*]

Mr. Christian Boisjoly: That is pretty much the situation. We have received some invitations from the new minister, but it pretty well stops there. In the case of Quebec, as I mentioned, we have been waiting three years already, and people are really running out of steam. Clearly, we discussed the situation of Ontario producers, which is definitely not rosy. Nor is their future, based on the news we hear that Imperial Tobacco would like to get out of the market.

We have been living with this situation since 2003. The program provides for round tables; that is all there is. We have no promises or even a compensatory budget on an urgent basis—we have nothing like that. In many cases, people do not know what money they will have for 2007. Some experiments that worked and that produced significant incomes such as replacement crops that are very similar to those in Quebec and that Mr. Bannister spoke about are simply not very common. Even the 25% of farmers who have changed crops have only very average subsistence incomes. Even for them, it is difficult to continue expanding. Others are still at the stage of doing research and development. I spoke about my own case, but there are many others who, like myself, have run into walls.

On the other hand, we were talking about hope. There is hope. For example, I am just back from a trip to Winnipeg where I attended the 4th Canadian conference of people interested in growing hemp. I am referring to the hemp market, which is growing in Canada. In Manitoba, almost 50,000 acres are devoted to hemp production. There have been some experiments in Quebec that seem quite promising. We have contacts with a number of manufacturers and processors. Once again, we want to set up a cooperative. We are halfway there, but it is difficult to go further, to get producers who have already been burned to take an interest in this. So we have to ensure we have some support and political will.

In our region, our political representatives and members of all provincial political parties are showing a great deal of interest. However, at the federal level, as I was saying, we are still at the round table stage. We have not yet started finding solutions.

That is why we wanted to tell you about our views, which are somewhat different than those in Ontario. However, I do think that Ontario producers will be experiencing the same situation shortly, that is more people will be affected.

• (1225)

[*English*]

The Chair: Thank you, Christian.

Mr. Neukamm, do you have a short comment?

Mr. Fred Neukamm: Yes, in response to Mr. Atamanenko's question.

We have been working very closely with the government on this issue. We've made our initial proposal to them. We're waiting for a response to that proposal. We appreciate the level of serious consideration that the issue has been given. We hope the issue can be resolved quickly, and we would ask committee members individually to do what they can to encourage Mr. Strahl and other key affected ministers to come to a solution on this issue quickly.

Mr. Brian Edwards: Tobacco is, as some people say, a difficult subject. We are agriculture, there's no doubt about it, but tobacco hasn't been treated the same as the rest. Government policies have affected our marketplace. We need a decision made to help us exit tobacco farming, because our equity is destroyed. The livelihood is going to disappear as smoking declines. That's a given and we accept that. But we cannot get out of this mess ourselves. Our communities, and we as farmers, are in severe distress.

The Chair: Just before we move to the second round, I have one question. We've just seen in the news today that Australia has settled. They've done it. Other countries have done it around the world as well.

Is there a model out there that this government should look at? Are any of these settlements around the rest of the world addressing infrastructure and equipment, as your settlement is asking for? I am looking for clarification on that.

Brian.

Mr. Brian Edwards: The U.S. model was based on recovery of the earning power of your quota. That was what the basis was, along with the economic power of the quota itself.

In Australia, the producers actually were a cooperative. The remaining growers were a cooperative actually processing the tobacco for the manufacturers, and they have been recompensed based on their shares in the cooperative. They were small producers who pooled their resources to make an economic farm viable.

Here in Canada we're very much the same. In Ontario especially, we have just under 272 million pounds of quota and 1,080-some-odd quota producers. Back in 2002, we were using 400,000 pounds of our quota to make an economical farm unit. This year, we're at over 544,000 pounds of quota, so you can see that families are pooling their quotas to try to keep the farm operating.

We're not going to make millionaires out of every farmer, not by any means. These are families—mothers, fathers, sons, and daughters. There are generations involved in the farm unit now, with smaller amounts of quota. We're trying to identify a way for these farming generations to get out of tobacco growing.

In Australia, for those who exited farming totally in some of the previous buyouts, they've actually been giving a tax exemption. If you exit farming, there's not even any tax on it, and I believe they are asking for that to include tobacco farming. In Australia, though, tobacco was not the only crop on a farm; it was a component.

● (1230)

The Chair: Thank you.

Mr. Easter for five minutes, please.

Hon. Wayne Easter: Thank you, Mr. Chair, and welcome, folks.

I have just three quick points and two questions.

I think the facts are clear in terms of the difficulties for you, the tobacco producers, in the communities.

Secondly, this is not a normal market situation. It's really government policy—in terms of the drive to get rid of smoking—that's driving you out of business, and I think driving the country away from a safer tobacco, because there's no question that the tobacco that's being smoked now by those who smoke is not as healthy as the Canadian brand was. You don't know what impurities are in some of this imported stuff. That's point two.

Point three is that there's no question that what happens as you go out of business is that there will be an impact on other agriculture commodities and on the industry players. I don't think there's any question about that.

My questions, really, are these. First and foremost, I think the Minister of Agriculture is in a difficult spot—I'll give him that much—in that this is a result of government policy as a whole, enforcing an imposition on what's seen as an agricultural problem, when it really should be seen as a general government problem. It should be the Minister of Finance, and not just Chuck Strahl, addressing this issue.

On your proposals going forward, do we have agreement on a plan from the vast majority of producers, including those in Quebec, including the Farmers in Crisis, and including the tobacco board? Do we have, number one, an agreement on a plan—I mean the plan to exit, or to stay in and get out over time? And do we have, number two, included in that research and development that's needed to get into alternatives, including forestry or whatever? Is there community support, or can it be determined whether there's community support for that plan?

Mr. Fred Neukamm: Mr. Chairman, I could speak to that.

There is virtually no difference between the proposal that our board put forward and one that the Tobacco Farmers in Crisis have also put forward to government. Within our community of growers, there is overwhelming support for our strategy. Within the community itself, just very recently, *The Expositor* newspaper in Brantford ran a poll asking the question, "Should the remaining tobacco farmers be bought out by government?", and I believe 89%

of the respondents answered yes. So there is community support for this.

I can't speak specifically to Quebec, but a component of our proposal is also to increase the level of compensation that those farmers who exited in the 2005 TAAP program received. I believe Quebec would support that position. I think they clearly stated that this program, while helpful, was inadequate to meet their needs. Many in our community and we, as a board, believe that as well. It was welcome help. It was required, but that program was not without some problems, as was clearly stated.

The mechanism that was chosen to establish the price, the reverse auction, essentially pitted one desperate farmer against another, and resulted in that price being artificially low. It was not universally accessible. That was another problem. It was a partial solution. We all recognize that. One of the stated objectives of that plan was to allow some growers to leave, in hopes of creating a more stable environment for those who remained. It did that very briefly, but our situation has deteriorated very rapidly since then. Again, as I wanted to mention, it was helpful; it just didn't go far enough.

I apologize—I may have missed another component of your question.

● (1235)

Hon. Wayne Easter: The key is, if the government or the minister is going to have half a chance of doing anything, then there has to be unity between the tobacco growers and the community side in terms of the plan. That's point number one. It's absolutely essential. I think we around the committee, from all parties, can support you on that, but there needs to be absolute agreement on what the plan is. We have the United States, and we have Australia that moved. There needs to be agreement in your sector, no matter how hard that is, because if you come into government and there are two different proposals, the Minister of Finance will say, "If they can't agree, why should I?" So that's critical.

Mr. Fred Neukamm: I met with Minister Strahl a little over a month ago, and he assured me personally that the proposal we had put forward was at the centre of all their discussions.

The Chair: Mr. Edwards.

Mr. Brian Edwards: From the point of view of Tobacco Farmers in Crisis, as Fred has said, it might as well be a mirror.

Our proposal puts forward that there be an exit of tobacco farmers. As the board has stated, the first and the last farmer should know what that exit program is. It's up to someone else to decide how long that's going to take. We've used up everything we have—our retirement, our RRSPs, our cash, our investments—and we're in a position now where someone has to help us.

The Chair: Christian.

[Translation]

Mr. Christian Boisjoly: In Quebec, we used the figures put out by the Ontario office. However, we did not take into account shortfalls and the decline in property value, because it was difficult for us to argue on this issue. We did not do any studies. The AGÉCO group did a study to support the price per pound for quotas that were lost and the price of machinery, but that was not taken into account.

However, there is the famous 1.6 factor, which represents the difference in the quotas, because everything seems to have been worked out per pound of quota. If we can win on this issue, the figures and demands will be very similar to those of the other two organizations. I said earlier that there was a willingness within our communities to help out these people for economic reasons—that is very clear, we are talking about jobs—and in order to develop other markets.

As Mr. Bellavance noted, the Lanaudière region is very aware of the tobacco-growing issue, and the soil issue. Approximately 8,000 acres were used for growing tobacco on a rotating basis. So if farmers can get these funds, they will remain in farming. They will not grow just cover crops, they will be revenue-producing. So we must be given this opportunity. We need the same amount of money as people in the other two associations.

[English]

The Chair: Thank you, gentlemen, for shifting gears and hopping into the early slot this morning. It was much appreciated.

Our apple growers have descended upon us. I see they've brought lunch with them. Thank you, gentlemen.

We will suspend for just a minute as we move you folks away and bring the other gentlemen up to the table for the second hour.

Thanks so much for your presentations.

- _____ (Pause) _____
-
- (1240)

The Chair: We'll call this meeting back to order.

We'd like to thank Mr. Rickard and Mr. Gilroy for making the attempt to get here. I know what it's like trying to get through airports when the weather is bad.

Thank you for the apple for the teacher. You're certainly going to get a good hearing, better than people who don't bring apples.

We generally work with the format of a ten-minute presentation from you gentlemen. If that's workable for you this morning, then we'll open the floor to questions and comments. We have about 45 minutes left, and of course we need time to get to question period and so on.

Welcome, this morning. Who will be the presenter, Mr. Gilroy or Mr. Rickard?

Mr. Rickard.

- (1245)

Mr. James Rickard (Chair, Ontario Apple Growers): Thank you. We did bring a little nutritional break. There's a promotion around five or ten fruit or vegetables per day. As you can count the numbers, it might do for your total supply of fruit and vegetables for today. They are all Ontario apples. They came from Georgian Bay.

Brian Gilroy is a grower from Georgian Bay. I'm a grower from east of Toronto. I chair the Ontario Apple Growers marketing board. Brian is vice-chair. It is a marketing organization, a lobbying organization, of producers that's been in existence for three years.

The only authority we have is to negotiate the price of juice between the processors and ourselves. The rest of it is support of the producers who pay an acreage fee to support us and lobbying efforts to try to help the industry to help itself. That's one of the projects we have. One of the dreams, thoughts, visions we have is what Brian is going to present in the next two minutes.

So without any further ado, Brian Gilroy, vice-chair of the Ontario Apple Growers.

Mr. Brian Gilroy (Vice-Chair, Ontario Apple Growers): Thank you very much, ladies and gentlemen, for shifting your schedule to allow us to make this presentation to you.

We're here speaking on behalf of Ontario Apple Growers. I'm sure it's something you hear about regularly in different aspects of agriculture, but the financial hurt in horticulture crops has been severe. For apple producers it has been devastating. Apple producers have gone through two of the worst marketing seasons in recent memory, as a result of declining exchange rates, world over-production, and the dumping of apples into the Canadian marketplace.

Our growers have looked to their governments for assistance through business risk management programs, but these programs have fallen well short of their objectives and will see a small percentage of growers receive moderate support. The CAIS program has resulted in an uneven distribution of these much needed funds, with apple producers receiving much less than their colleagues in other agricultural commodities.

In Canada we do not over-produce apples, which, by the way, is our national fruit. Canadians are net importers. I'm sorry I don't have national statistics, but over 60% of Ontario's fresh apple consumption is being grown outside the country. With government policy dictating development freezes for agricultural lands, like Ontario and British Columbia's greenbelt legislations, saving agricultural lands is seen socially as the right thing to do.

The apple growers and tree fruit producers need help to strengthen their rural economies. Apple acreage in Ontario has been reduced from 25,000 acres to 17,000 acres in the last six years. A strong rural economy needs a strong agricultural sector. Average farmers are long gone, generally speaking. Only the best professional farmers remain.

We are here to ask the federal government to invest in the future of our industry through the national replant strategy, and to remain invested in the self-directed risk management program for Ontario horticulture.

We also recommend that a "buy Canadian first" procurement policy be adopted for all government-funded institutions. It's something that would cost very little, yet could accomplish so much.

In the brief before you there's a bit of an introduction to the national strategy for the tree fruit program. This is something we've met with Agriculture and Agri-Food Canada about in the past, and we've recently received a response from the Minister of Agriculture saying that the project still needs more work.

We commissioned a business plan for orchard reinvestment from the Ontario perspective. I'm sorry I don't have that translated into French, but if you would like copies, I'd be happy to leave some here, or make a list and make sure you get copies. Basically it's a partnership between the federal and provincial governments and the growers to replant 25% of the acreage of apples and tender fruit in Canada. It's felt that this proposal would go a long way toward strengthening the apple industry in Canada.

One of the other challenges we face at the start of the fourth year of the agricultural policy framework is that when it was signed, the Honourable Lyle Vanclief promised that production insurance would be available to all producers across Canada. That promise hasn't been fulfilled yet, and horticultural producers have been using a self-directed risk management program for some time.

In Ontario, under the new APF, crop insurance currently provides less coverage and has become more expensive for our growers. Only about 40% of the apple producers in Ontario subscribe to the crop insurance plan. A lot have used the self-directed risk management program.

The Ontario plan has worked for many apple growers but not all. For those, the self-directed risk management program has provided an alternative. Again that's a partnership between the two levels of government, federal and provincial, and the growers. We still feel this is the best way to help growers through those times when mother nature and/or the marketplace disrupts things dramatically.

On our recommendations to the federal government through this committee, first, provide federal support for the national tree fruit and grape replant proposal. Second, continue to provide the federal 60% support for the continuation of the self-directed risk management program until a more meaningful production insurance tool can be developed. At the very least, provide this support for the next two years to match the Ontario government's agreement to do so. Third, implement a "buy Canadian first" policy for all government-funded programs and institutions.

● (1250)

We respectfully submit this report on behalf of Ontario Apple Growers.

The Chair: Thank you, Mr. Gilroy. You caught me with a mouthful of apple.

Mr. Rickard, do you have anything to add to this point?

Mr. James Rickard: Yes. Those apples you're eating came from Georgian Bay. There are three varieties, and I'm sure you haven't had a chance to eat each of the three varieties yet, but you're doing well. There's an Ambrosia, a Honey Crisp, and an Empire. The Empire has been around for 15 or 20 years, Honey Crisp has been around for perhaps three to five years, and the Ambrosia has been around for one to three years.

As producers, apple farmers, we have a harvesting unit, which is called a bin of apples. It is 20 bushels. It's four feet by 3.6 feet by two feet. From some preliminary data that we've been taking up this last fall, Empire returned the farmer \$130, Ambrosia \$330, and Honey Crisp \$575. That's the same volume of apples with effectively the same cost of production. That's what we would like to encourage ourselves to do—the members of the marketing board, the members

of the Ontario apple-producing industry: move into the apples that people want to pay money for.

So that's where this would fall into place. There would be encouragement. Of course, we're going to plant the apples that return us the money. We can understand that. So it's kind of "help ourselves to help ourselves".

The Chair: Just on that point, you're talking about newer and better varieties available out there, and you have to have time to change your orchards over.

Mr. James Rickard: And we need a bit of encouragement from the country, which is all of us, to do so. The Honey Crisp are flying off the shelves at the inflated price. Sir, you're eating an Ambrosia, and frankly, that's even better than a Honey Crisp.

The Chair: It's good too.

Mr. James Rickard: It's better than a Honey Crisp, personally. However, it's just not as available yet, so they haven't been able to put the price up.

The Chair: And what kind of timeframe are you looking at from the time you plant until you're into production?

Mr. James Rickard: It is three to five years.

The Chair: Okay. Good.

On those points, we'll turn it over to Mr. Steckle.

Mr. Paul Steckle: Thank you very much, gentlemen. That apple came at a very appropriate time. We're all missing our lunch time, and boy, we're very prompt in always getting our dinners and lunches on time.

Having been a farmer all my life, and to some degree having grown up with fruit trees in the days when we grew Tomlin Sweet and we grew Snow Apples and Kings and Stars and Northern Spy and those kind of things.... Those are names you don't hear anymore. In fact, probably none of you around this table has heard them before.

Maybe you haven't even heard of them.

● (1255)

Mr. James Rickard: Oh yes.

Mr. Paul Steckle: Anyhow, you know what I'm talking about. But I do go back a long way.

I know they were so badly priced at the time I took over the farm in 1965 that I pulled them all out and put in a lawn. Now I have to cut the grass. But it was still better than growing apples.

When I look at your recommendations, I know what you're doing. The replanting and growing varieties that people want to buy really has nothing to do with whether we buy a Canadian apple or an American apple. The price really isn't relevant. It's what people want. What we have to do here in Canada, in my opinion, is make.... And I guess your third recommendation—buy Canadian first—would not only apply to apples, but would apply to a lot of our fresh fruits and vegetables. Whether it's spinach, or whatever we buy, I think we should do more to buy Canadian first. If we took pride in doing that.... Because you couldn't buy a better apple than that from California.

What must we do? Have we not advertised properly: “buy Canadian first”? Do we need a policy of government? I don't think government should be involved in everything we do.

I'm concerned about that, because I know what's happening in the apple industry. And I guess when I look at support programs, we have business risk management, a program that is designed that hasn't yet been adopted by government. But would that program, if it were adopted for fruit growers, apply equally to you as it would to the grain growers and other people? Why not?

Mr. James Rickard: I've had my comments. I have a big question. How do we address this to the government, if the help should really come from government?

Mr. Paul Steckle: You've asked a lot of questions: all of the above.

Mr. James Rickard: One of the.... I'm losing it.

The Chair: In politics we call that a pregnant pause.

Voices: Oh, oh!

Mr. Brian Gilroy: Let me interject for a moment while Jim collects his thoughts.

Eighty per cent of the imports of apples into Canada come from Washington State, which produces almost as many apples as the rest of North America put together. They're a huge apple-producing machine. When they blow the price out or sell to the three major grocery retailers in eastern Canada and give them huge incentives to advertise Washington State fruit, it's something that makes it very difficult for us to compete against.

When it comes to the service industry—the suppliers of restaurants, small bodegas, and smaller grocery stores—almost all of those apples come from Washington State. Why? Because for whatever reason, they're able to move huge volumes at discounted prices. Their growers are in a similar situation to ours. Washington State doesn't do that to the northeastern states, which also produce apples. They have a hands-off policy there, but export is very important in Washington State.

Two years ago, there was serious dumping of the 2004 crop with depressed prices into Canada, and that hurt us dramatically.

When it comes to government, I don't think it would hurt at all to have a strong recommendation made that whoever in government is involved in the procurement of food, for the military, prisons, hospitals, and so on, try to purchase Canadian product when they can. I think that would go a long way, because those service industries don't carry both U.S. and Canadian; they carry the U.S. 90% of the time.

The service industry has gotten much bigger over the last ten years. People are too busy to go to the grocery store and buy their food. They depend on the service industry more.

Mr. Paul Steckle: We know when people shop for apples today, they buy three or four at a time. We used to sell them by the bushel. Now, you're putting them in...I know what the containers look like.

I'm totally convinced that it's not a price issue. I said that not only about apples, but other products as well, because we have organic

products selling for enormous prices, and not always to the rich people, but to other people too.

So people have made market-buying choices. If government can help you do that, we ought to do it. Certainly starting with the institutions over which we have some buying power and control, we ought to be doing that. I think all of us here want to help you guys, but how do we do it? That's the big question.

On the question of business risk management, could that program work for you guys?

Mr. Brian Gilroy: Do you mean the one that's being put forward by the grains and oilseeds producers?

• (1300)

Mr. Paul Steckle: Yes. I know it speaks specifically to grains and oilseeds, but could it not apply? I think their vision is that it could be broadened and not only apply there, but it could apply even in the livestock sector.

Mr. Brian Gilroy: The marketing channels for grains and oilseeds are fairly straightforward. There is some variation that takes place, but when it comes to horticultural crops, the marketing channels are incredibly diverse. For whatever reason, programs that are designed for or by grains and oilseeds producers don't seem to work for horticulture.

In Ontario, an adjustment was done for the CAIS program, where they looked at accrual versus cash accounting and they did a blend of the two, which was recommended by IBM.

Of the money that came to Ontario, horticulture has about one-third of the cash crop receipts for all of the province's agriculture. We received 8% of that top-up. That was a significant difference between what we represented and what we received, and this is the level of hurt that generally is taking place in the horticultural sector.

The Chair: Mr. Easter, you have a minute.

Hon. Wayne Easter: I have a quick question.

I agree 100% with your “buy Canadian first” approach. But if the government were to order it, would there be any trade implications? Have you done some research into this? What are the trade implications of this kind of policy?

Mr. Brian Gilroy: From what I understand, it could be an irritant, but it doesn't fly in the face of the free trade agreement. The U.S. does it significantly with their school lunch programs. They have a number of programs. For example, an apple processor from Quebec wanted to provide the Texas prison system with apple sauce. They had to import American apples, process them into apple sauce, and send it back to get that contract. The apple-growing community agreed we didn't want to shut them out of a marketplace, but it's being done. It currently is being done, and there's nothing wrong with waving the flag. There will be a reaction to it, but I think it's something we can survive.

The Chair: Thank you, Mr. Easter.

On that same point, we did see Canadians rally around the BSE situation and buy more beef than they ever had before. Waving the Canadian flag when it comes to food...they know the quality and the safety and security are there, and a lot of food today is not price point.

If we're going to implement a program such as that, my concern is in our labelling. In this country we've allowed the labelling to be, for lack of a better term, "perverted" to the point that I can buy Argentinian beef, and as soon as I slice it here, it's Canadian. It's a secondary processing. We're going to have to look at the labelling act in order to go forward with those types of recommendations.

Mr. Bellavance for seven minutes, please.

[Translation]

Mr. André Bellavance: Apple growers in Quebec have already spoken to me about a strategy for replanting. It was developed in the hope of producing a greater variety of apples, which is something consumers want. Would this strategy allow you to add varieties of apples to those we already have? If not, would it be used to replace some varieties of apples that we have at the moment?

I would also like to know how much it would cost all apple growers in Canada to make these changes? What exactly are you asking the government to do? I have seen this strategy a few times, but I would like you to explain the details of the replanting strategy to committee members. I would like to know how much it could produce and how much it might cost to implement it.

[English]

Mr. Brian Gilroy: Do we have the numbers with us for Canada?

Sorry, this is Amy Argentino, who is with the Canadian Horticultural Council. There is the Apple Working Group, which originally developed the proposal and—

The Chair: If you don't have them with you today, Brian, you could certainly send them in, and we'll incorporate them in rather than—

Mr. Brian Gilroy: I believe I have the numbers here.

• (1305)

The Chair: Great. Even better.

Mr. Brian Gilroy: The goal is to increase the Canadian farm gate value of the apple crop from \$123 million, which it currently is today, to \$200 million over ten years.

The Chair: Is that across Canada or just—

Mr. Brian Gilroy: That's across Canada. In Ontario we're about 40% of the apple production. The rest of these numbers are Ontario numbers.

I do have it here: \$84 million would be the two levels of government, so that split in half would be \$42 million federal and \$42 million provincial, which—

The Chair: It's actually 60-40, not 50-50, but that's close enough.

Mr. Brian Gilroy: The request for the national replant program is one-third grower, one-third national, one-third federal. They're provincial.

The Chair: Yes.

Mr. Brian Gilroy: We should add that there has been a significant replant program in British Columbia and Nova Scotia. British Columbia's program has been running for about 15 years and the Nova Scotia program for probably four or five years. The Nova Scotia program was very variety-specific.

I will make sure we get those statistics to you, as to what the overall cost would be. It is to plant varieties that are more profitable. The whole goal of this exercise is to increase the profitability.

Apple growers have had a really difficult time meeting their cash cost to production. You need cash cost to production plus a reasonable profit if you're to stay in business for any length of time.

As I've said, our grower numbers are down. Acreage is down and the equity that farmers/growers have in their operations is down as well. That's one of the big reasons we're coming to the levels of government with this three-phase approach.

In British Columbia, more than 50% of their acreage has been replanted. They had the challenge that they are also.... They don't over-produce in their province, necessarily, but close to it. They produce almost as much as they consume. They depend heavily on an export market to the Far East. With some of the political changes that are taking place over there, it's hurt them as well.

If we go back as far as 1999, there was a huge crop of apples. Growers lost, on average, around 6¢ a pound for every pound of apples they grew.

I grow, on average, a million pounds of apples. I'm a small to medium-sized grower, but that was a significant hit for me. That's a hole you find yourself in. In terms of the 2004 crop, dumping took place. We investigated whether an anti-dumping action should take place on Washington State apples. There was a ruling on grain corn that year that made us back off. They had better statistics than we did for grain corn, and they still lost their case.

Amy has handed me some information. The overall investment for the seven-year program was \$300 million total: \$100 million federal; \$100 million provincial; \$100 million grower.

I gave you some bad statistics a moment ago.

Mr. James Rickard: Mr. Steckle asked some questions in terms of what we are doing and what you could do.

We've developed a relationship with the marketers. We meet quarterly and semi-annually with marketing, with the people who pack the apples in the bags. We work together on promotion, access some core funding, and we can advance funding to promote that.

We're starting to develop a relationship with the retailers, the Sobeys, the A&Ps, and the Loblaws. In fact, this past fall we financially contributed to some pages to promote apples, which is something, because right now clementines are kind of taking everybody's attention.

We're addressing the consumers at the Royal Agricultural Winter Fair. We're a part of that Foodland thing.

A policy to promote "buy Ontario", "buy Canadian"—we're talking two levels of government here—would be very nice. Lip service would perhaps be even nicer. My belief is that most Canadians...when we start out to buy, we probably don't have a problem thinking we'd like to buy Canadian food, until we get to the store and the promotion drags us aside, or the pricing drags us aside. I'm afraid we have to match the pricing.

Honey Crisp—you heard about the returns to the farmer, and that's because the pricing at the store is up. It doesn't matter whether they're Ontario, Nova Scotia, or Washington Honey Crisp, they're up there. So if we can produce it, why should we have to import it? You walk into the store and the flag is important. "Foodland Ontario" is a good logo.

Those are five things: retailers, marketers, consumers, a national buy Canadian policy, and lip service. None of what we say matters, but if we keep saying it often enough, they'll start believing us. And that's what the marketing board is saying: buy the food your neighbours grow.

● (1310)

The Chair: Thank you, Mr. Bellavance.

Mr. Miller for seven minutes, please.

Mr. Larry Miller: Thank you very much.

Thanks for coming, fellows.

Brian, thanks for bringing those apples from my riding. They taste just about as good as Grey County beef, which is the best in the country.

My first question is on your replant strategy. I just want to learn a little bit about it. What I've gathered so far is that it's a third-third-third split. That's what you're planning. Plus, over the seven years, it looks like about a \$13 million to \$14 million commitment from the federal government and the province per year.

Mr. Brian Gilroy: We're anticipating that the uptake in moneys won't be very high in the first year as nurseries and tree suppliers ramp up for it. In the second and third, and probably into the fourth year, we anticipate a higher percentage of the funds being required.

Mr. Larry Miller: That would be the average anyway.

I'd like to have you talk a little bit about the Nova Scotia tree plant, and I think you mentioned the one in British Columbia as well. Was there federal government involvement there in any way when they went through?

Mr. Brian Gilroy: There hasn't been. It's been strictly provincial. The Nova Scotia plant was specific to variety. For the first five years of its existence I think it focused on the Northern Spy apple, which is mostly a processing apple. That was to provide apples to their apple pie plants in Nova Scotia. Until then, a very high percentage of those apples came from Ontario.

In B.C., they have a number of advantages. They have a council that looks at varietal development. The Ambrosia apple, which some of you have had a chance to sample here, was developed in B.C., at Summerland Nursery, which is a federal organization. So they have had support in their program, but indirectly from the federal government, for variety development and some market development as well, I believe.

Mr. Larry Miller: Is that Ambrosia apple that you talk about an apple that can be grown in Ontario and Quebec? Would it do as well in those provinces as it does in British Columbia?

Mr. James Rickard: Certainly. It's actually an Ontario-Quebec climate-adapted apple.

Mr. Larry Miller: I ask that for a specific reason, because if we're trying to make something work in an area not suited to it, that's not good, so I'm glad to hear that.

Let's go back to the Washington apples and so many of them coming in here. Are there certain kinds of apples that they are producing that we can't, with consumers wanting them, or can we pretty well grow anything here that they can? Do they have a leg up on us in any way that way?

Mr. James Rickard: Where's the Granny Smith line and where's the Braeburn line? And I mean the climate line. Granny Smith is a southern apple, but I don't know whether it's California or Washington. They do a better job on Red Delicious than eastern Ontario does.

● (1315)

Mr. Brian Gilroy: Red and Golden Delicious are still their number one exported apples into Ontario, but they've also been big with Gala. Gala was another apple that showed promise to maintain a higher price point for producers, but Washington state can grow it very well, and that price point has come down because of the huge volumes they've started to produce.

One of the good things is that with Ambrosia, because it was developed in B.C. and they knew the potential of the monster beneath them, they have restricted the planting of the Ambrosia apple in the U.S. to 500 acres. That acreage has already been planted, and the rest they're saving for Canada itself. The Honey Crisp apple looks all right from Washington State, but it doesn't have the taste. It's meant for a colder climate like the one we have here.

Mr. Larry Miller: Is there any specific apple that we can grow well here in Canada that they are, in your opinion, sending in here unfairly to distort our market? For example, Mac is my favourite, and I hope you never quit growing it. Is there any specific one that they're sending in here that maybe they shouldn't be in a right world?

Mr. Brian Gilroy: The Gala apple is the most recent example of one, where they've taken an apple that used to be worth \$40 a bushel at the retail level—so the grower would get \$20 a bushel—and that came down two years ago by at least 30%. That's an example of an apple we grow well that they can grow well. But they've flooded our market, and the price has dropped significantly because of that.

But it's a question of like varieties too. We grow Red and Golden Delicious—not as well as they do out there, because when you grow in a desert you don't have to worry about disease pressure or insect pressure nearly as much—and on the Red and Golden Delicious they do a really good job.

Mr. Larry Miller: I'd like to just talk a little bit about research and development. You talked about some—not brands, but I guess new—apples that are coming out, and I'm sure you're always doing that type of thing.

Is there any involvement by provincial and federal governments in that? Is it all done within the industry? Can you speak a little about that?

Mr. Brian Gilroy: I have here a list of all the research projects we've taken part in over the last year, and the federal government, through CORD funding, has been supportive of a number of those initiatives.

We just had our board meeting yesterday and prepared an annual report. In that report.... No, it was in the financial report....

Mr. Larry Miller: There is some government involvement?

Mr. Brian Gilroy: Yes.

Mr. Larry Miller: Can you give me any idea in percentage or in dollars what the federal and provincial governments put into it? If the whole thing was \$5 million a year, would it be \$1 million, or would it be...?

I'm just trying to get a—

Mr. Brian Gilroy: No.

Mr. James Rickard: Rather than give you a figure off the top of our heads, we could work it out and get back to you.

Mr. Larry Miller: That would be great, if you could.

Here's one more question. I think you said the apple or soft fruit industry grows about 60% of what's actually required for the Canadian population.

Did I hear that figure right?

Mr. Brian Gilroy: We only supply less than 40% of the fresh market needs for Ontario. I'm sorry, I don't have the Canadian statistics, but the Ontario market is a big market, one of the larger markets in Canada, and we only provide about 40% of those fresh apples.

What I was trying to say is that we don't over-produce at all. There is the potential that we could produce a lot more apples to fill the market demand.

Mr. Larry Miller: That's where I was heading.

The Chair: Just before my other presentation, I think, Brian, you gave us a bunch of numbers on this, that, and the other being down. I can't remember the exact relationship there, but the one thing you didn't mention was the number of actual producers. Is it up or down? Are there fewer people doing the work now? There are fewer acres in production, so are there fewer farms?

Mr. Brian Gilroy: Yes.

The Chair: Okay. The one other point I had is that I've heard it said before that a lot of the problem with the fruit industry is that you occupy the same ground as where people like to holiday and like to build, because of the climatic conditions.

Are you facing the same type of situation, where urban sprawl is driving the price of land up and you find yourself bidding against developers, if you want to put in another orchard?

• (1320)

Mr. Brian Gilroy: There have been significant development restrictions placed on a lot of rural Canada, and a lot of the land values have gone up significantly. It's people who would not necessarily subdivide, but who like that 100-acre or 200-acre farm.

A voice: A hobby farm.

Mr. Brian Gilroy: Yes, a hobby farm.

One of the dilemmas with horticulture and apples is that the annual investment required to maintain and make sure your orchard

is producing at peak efficiency is incredible. Thousands of dollars per acre of input costs are required and then another few thousand to harvest them.

The Chair: That's a very expensive hobby. It's almost as bad as raising horses.

Alex, you'll have seven minutes, please.

Mr. Alex Atamanenko: Thanks for coming.

One of your points was national replanting. I'm assuming that's replanting to other apple crops?

Mr. Brian Gilroy: Yes.

Mr. Alex Atamanenko: Although you mention B.C., in British Columbia the provincial minister of agriculture is telling our people to grow grapes.

I was at the Fruit Growers' convention in British Columbia a few weeks ago and I talked with the president, Joe. We were throwing this idea around—and I talk with him a lot; we communicate. We signed the Columbia River Treaty with Washington State. We gave them our water, they've irrigated their land, and now they're flooding our country with apples.

It used to be in British Columbia, and I imagine across Canada before NAFTA, that produce in season...once we produced onions there would be a tariff on the border, so people could continue to produce onions. If we take onions, we had over 2,000 farms, and now there are only half a dozen or so because of NAFTA.

Americans are pretty good at protecting, whether it's their lumber or their agricultural produce, even in NAFTA. We've tried going to try this process, when dumping took place a few years ago. By the time it goes through the courts, by the time we get a legal opinion, often the prices rise and then it's too late, so we've wasted all this time and the producer has suffered.

Joe and I were talking about this, and I'm sure there have been discussions. When dumping takes place, there should be some kind of a rapid response mechanism to slap on some quotas or tariffs on behalf of government until that dumping stops. Otherwise, if we go through the current procedure, it's very complicated—and you've talked about that in your presentation.

Is there a unified stance in the horticulture industry in Canada to work with government, to lobby government, to have something like this in place? As I said, they do it to us.

You were talking about producing 40% of your needs for apples and you import 60%, probably from Washington State. It's the same distance from British Columbia as it is from Washington State. Why isn't there an agreement that we're sending our surplus apples to Ontario, or vice versa? We've got these apples coming in from Washington that often come in and are dumped at below the cost of production.

So that's the scenario. Joe is going to be in town next week and we're going to talk. I think he's got a meeting with the minister and he's going to talk to him.

You've got your three-point plan, but is there a plan to have some kind of a stance, to get something in place, to really protect the producers with some kind of risk management before they have a disaster?

That's my question.

The Chair: If you could do that, you could retire.

Mr. Brian Gilroy: It's a challenging scenario. In the early to mid-nineties there was an anti-dumping agreement for apples. There was a minimum price. I believe it was \$12.50 a pack carton for ten months of the year. I think in July and August the duty was removed.

Every period of time there would be a review of that dumping duty, and it was rescinded around 1995-96. The reason given was that there was no proof that dumping took place while the duty was in place. That's what the duty was to prevent. So it was sideways logic, but anyway, that's what was used.

In 1992 the Canadian apple industry had an opportunity to develop a national apple marketing agency with similar powers to dairy, chicken, and so on. Don't ask me how or why, but it was defeated by the growers and not put in place. It would have held import levels at a rolling five-year historical average. I've asked the question of politicians as to whether there'd be any hope of such a vote taking place again, because I would go on a national campaign to ensure that such a system was put in place.

The appetite of government to deal with dumping of agricultural commodities hasn't been there recently. In this grain corn ruling, it was very clear to most people that dumping was taking place. If we gathered statistics for eight or nine months.... Well, for the whole of 2004, the sale volume of Washington State apples went up dramatically, and the sale value went down dramatically. What does that tell you? It tells you that dumping was taking place. Could we prove it in a court of law? Well, we spent \$30,000 to hire a lawyer to investigate it and decide whether it made legal sense to proceed. After the corn ruling, he just told us not to bother.

Washington State wised up and didn't dump last year. But for whatever reason, our return values did not increase in eastern Canada. They did in the west, but in eastern Canada the value that growers received for their apples from the 2005 crop was as low, if not lower, than when competing against the dumped crop from the year before.

I don't know if I've answered your question. We're not avoiding anti-dumping action, but it's left to the policy-makers of the day to decide whether it's something they are willing to support us in.

•(1325)

Mr. Alex Atamanenko: So what you're saying is that if there's a political will to do this, then you would probably get on board to work with government.

Mr. Brian Gilroy: Yes, it's actually a sentence that was taken out of my presentation that was talking about the anti-dumping action.

Mr. Alex Atamanenko: Okay, thank you.

The Chair: What I think Mr. Atamanenko was talking about is a better dispute mechanism situation with better triggers. Right now the onus is on the majority of the producers in the country to come

forward with the action before the government comes on board. Until you act, we can't—that type of thing.

One other point that I wanted to make here is that we have the PMRA—and I know you guys say that and spit, the same as we do on certain days—coming before this committee. Would you guys like to put forward a little bit of a brief that we can use when we're doing up that report?

I know there are some concerns that you don't have access to front-line fungicides, pesticides, and insecticides the same way that, say, Washington State does, at the same kind of costing. If you wanted to give us a brief or some information to that extent, we'd certainly make use of it at that meeting.

I think the meeting is taking place on December 12. We've had a bit of a change, because they're at a meeting in Quebec. They were slated for December 7, but now it's December 12.

If you could get us something that we could use at that meeting, if you're so inclined, that would be very helpful.

Mr. Brian Gilroy: I can give you one quick thing that I just read about on the way down here. Guthion is one of those old standby materials that have been used for some time. It's an insecticide, and because it was being reviewed in the United States, PMRA reviewed it. The Americans had decided on a cease and desist use plan for Guthion and implemented it, sort of. Then PMRA followed, and we lose the use of this material a year from now, I believe. The Americans have just announced that they're putting off their cease and desist order, and it could be 2012 before it's removed, if at all. That has been a material that we've used sparingly but has been one of those materials that we found very useful.

•(1330)

The Chair: A cease and desist does not take into account a new or better product that will take the place....

Mr. Brian Gilroy: Exactly.

The Chair: Good. That's the type of thing we're looking for that we can make use of in a report on that. So thank you, gentlemen.

Is there anyone with further points? We've run out of time as we get ready for question period here.

I want to thank you guys for making that extra effort.

Mr. Rickard, you had a point.

Mr. James Rickard: I have a question about sending the amount of research. Who do we send that information to?

The Chair: Send it to the clerk of the Standing Committee on Agriculture and Agri-Food. He will translate it, disperse it, and all those good things.

So thanks for making that extra effort to get here today. It was wonderful to have you. We look forward to seeing you again.

Mr. Brian Gilroy: Is it all right if I leave copies of the case for a national replant strategy—

The Chair: By all means.

Mr. Brian Gilroy: —or should I collect names of people who would like them?

The Chair: No, you could leave them, and whoever would like to take one—

Mr. Brian Gilroy: I'll leave them back by the apples.

The Chair: Excellent. Leave them back by the apples. Thank you so much.

Is there anything else, gentlemen? That's it?

This meeting stands adjourned.

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